



Briefing Material Regarding the Commencement of a Tender Offer for Tokyo Rope Mfg. Co., Ltd.'s Shares

January 21, 2021

Nippon Steel Corporation

Overview of Tokyo Rope Mfg. Co., Ltd.

~ Top Manufacturer of Wire Rope with High Technology

Overview

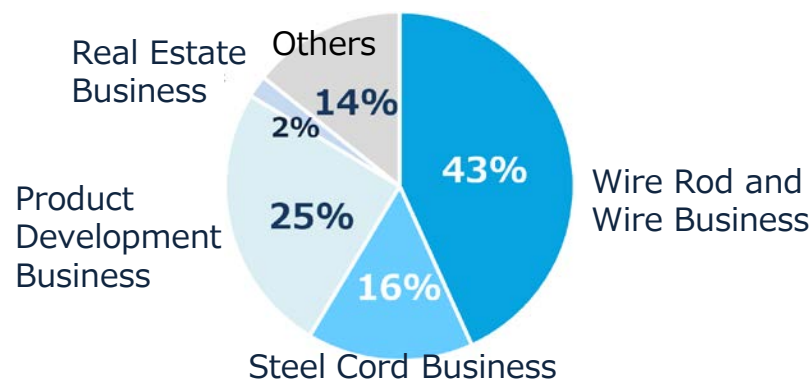
Trade Name	Tokyo Rope Mfg. Co., Ltd.
Head Office	3-6-2 Nihonbashi Chuo-ku, Tokyo
Representative	Masaya Asano, Representative Director and President
Capital	1,000 million yen
Net Sales FY ended March 2020	Consolidated: 63,090 (million yen) Non-consolidated: 38,315 (million yen)
Listed Stock Exchange	First Section of the Tokyo Stock Exchange
No. of Employees As of March 31, 2020	Consolidated: 1,766 Non-consolidated: 501
No. of Group Companies FY ended March 2020	Subsidiaries: 30 Affiliates: 6
Production Bases	Japan Tsuchiura Plant Sakai Plant Tokyo Rope International (Kitakami Plant) Toko Steel Cord (Headquarters plant)
	Over-seas Tokyo Rope Vietnam Co., Ltd. (Vietnam) Tokyo Rope USA, Inc. (U.S.) Jiangsu Tokyo Rope Co., Ltd. (China) Jiangsu Fasten Steel Cable Co., Ltd. (China)

Description of Business Activities

Manufacturing and sales of wire rope, wire, steel cord, and Carbon Fiber Composite Cable (CFCC); design and construction of road safety devices such as rock fall prevention net, environment protection products such as acrylic sound insulation walls, and bridges and cable-suspended bridges.

It has the largest market shares in wire rope and steel cord for tires in Japan.

Net Sales (FY ended March 2020)



Business Segment	Key Products
Wire Rod and Wire	Wire ropes, wire products, fiber ropes, nets
Steel Cord	Steel cords for tires, saw wires
Product Development	Design and construction of road safety devices, cables for long-span bridges, metal fibers and CFCC
Real Estate	Real estate leasing, electricity selling business by photovoltaic power generation

(Source) Securities Reports and Webpage of Tokyo Rope

Purpose: Support for autonomous recovery and improvement of corporate value of Tokyo Rope

- Tokyo Rope Mfg. Co., Ltd. (Tokyo Rope), founded in 1887, is one of the top manufacturers of wire rope in Japan. Tokyo Rope has extremely high-end technology and brand power in wire rope manufacturing, which is its key business.
- In 1970, Fuji Iron & Steel, a predecessor of Nippon Steel Corporation (NSC), invested in Tokyo Rope. In 2001, upon Tokyo Rope's request for increase of shareholding, NSC acquired additional shares of it. Currently, NSC is the largest shareholder of Tokyo Rope holding 9.9% of its shares. As such, NSC has built a cooperative relationship with it as a raw material manufacturer and development partner for a long time.
- In recent years, Tokyo Rope's business has been deteriorating due to the current management policies. In its long-term capacity as a shareholder and business partner, NSC has continued dialogue with Tokyo Rope and forthrightly pointed out its current management issues to be addressed. NSC has also warned Tokyo Rope as much as possible by, among other efforts, casting votes against the appointment of directors in its annual shareholders meetings held in the past several years.
- However, despite its potential to improve its management by itself by utilizing its true high-end technology and brand power, Tokyo Rope has failed to take measures for its management issues, and no discussions on specific issues toward recovery and improvement of its corporate value have been developed so far.
- As further continuation of these circumstances could further impede the interests of Tokyo Rope's shareholders, business partners, employees, and other stakeholders, NSC's Board of Directors adopted a resolution to conduct the Tender Offer (the maximum number of shares to be purchased: 19.9%) in order to increase its commitment as a shareholder by acquiring additional shares of Tokyo Rope and to contribute to the recovery and improvement of its corporate value.
- At this juncture, NSC considers it desirable for Tokyo Rope to develop an appropriate governance system as an independent listed company and restructure its management through in-house human resources. To realize these goals, NSC intends to have more in-depth discussions with Tokyo Rope.

Purpose of Conducting the Tender Offer (1): Present Status of and Issues at Tokyo Rope 4

Although Tokyo Rope is Japan's top manufacturer of wire rope with high technology...

Present Status of Tokyo Rope

Poor business performance and worsened financial soundness

- Significant underperformance on the former Mid-Term Management Plan
- Worsened financial soundness
- Lack of sufficient return on its investment in the CFCC business, which is promoted as the key business for its growth strategy
- Lower stock price indices than those for other companies in the same industry

Issues at Tokyo Rope

Dysfunction of governance system

Amid the company's serious business downturn, the board of directors' supervisory function to question the responsibility of the management team is not working.

- Prolonged term of office, lack of independence and diversity at the board of directors
- Lack of functional top management nomination process

NSC's Plans to Address Issues at Tokyo Rope

- Increase NSC's commitment as a shareholder and have more in-depth discussions with the management team of Tokyo Rope
- Encourage Tokyo Rope to autonomously restructure its management and governance systems to promptly reconsider its current management policies
- Assist Tokyo Rope in its recovery and improvement of its corporate value by enhancing ties with it following its introduction of a new management system

Source of Competitiveness of Tokyo Rope

“Combination of wire rods and processing technology” to meet customers’ needs

- (1) Tokyo Rope’s advanced processing technology
- (2) NSC’s stable supply of high-quality wire rods
- (3) Joint research and development among customers, Tokyo Rope, and NSC

Source of competitiveness of Tokyo Rope it at risk

The **current management policies**, which has caused poor business performance and worsened financial soundness of Tokyo Rope, and the **current governance system**, which has failed to encourage the revision of those management policies despite such business performance, pose a question on Tokyo Rope as a reliable business partner and could impede continuation of joint research and development

Purpose of Conducting the Tender Offer (3): Contributing to Recovery and Improvement of Tokyo Rope's Corporate Value

Its corporate value can be recovered if its true technological and brand power are exerted after the restructuring of its management and governance systems

- If the current management policies are properly reconsidered, it is possible for Tokyo Rope to recover its corporate value and improve it in the mid- and long-term as Japan's top manufacturer of wire rope and steel cord for tires.
- It is desirable for Tokyo Rope to redevelop its appropriate governance system as an independent listed company, and restructure its management under a new management team utilizing internal human resources.
- In its capacity as a shareholder, NSC will contribute to autonomous restructuring, and recovery and improvement of the corporate value of Tokyo Rope.

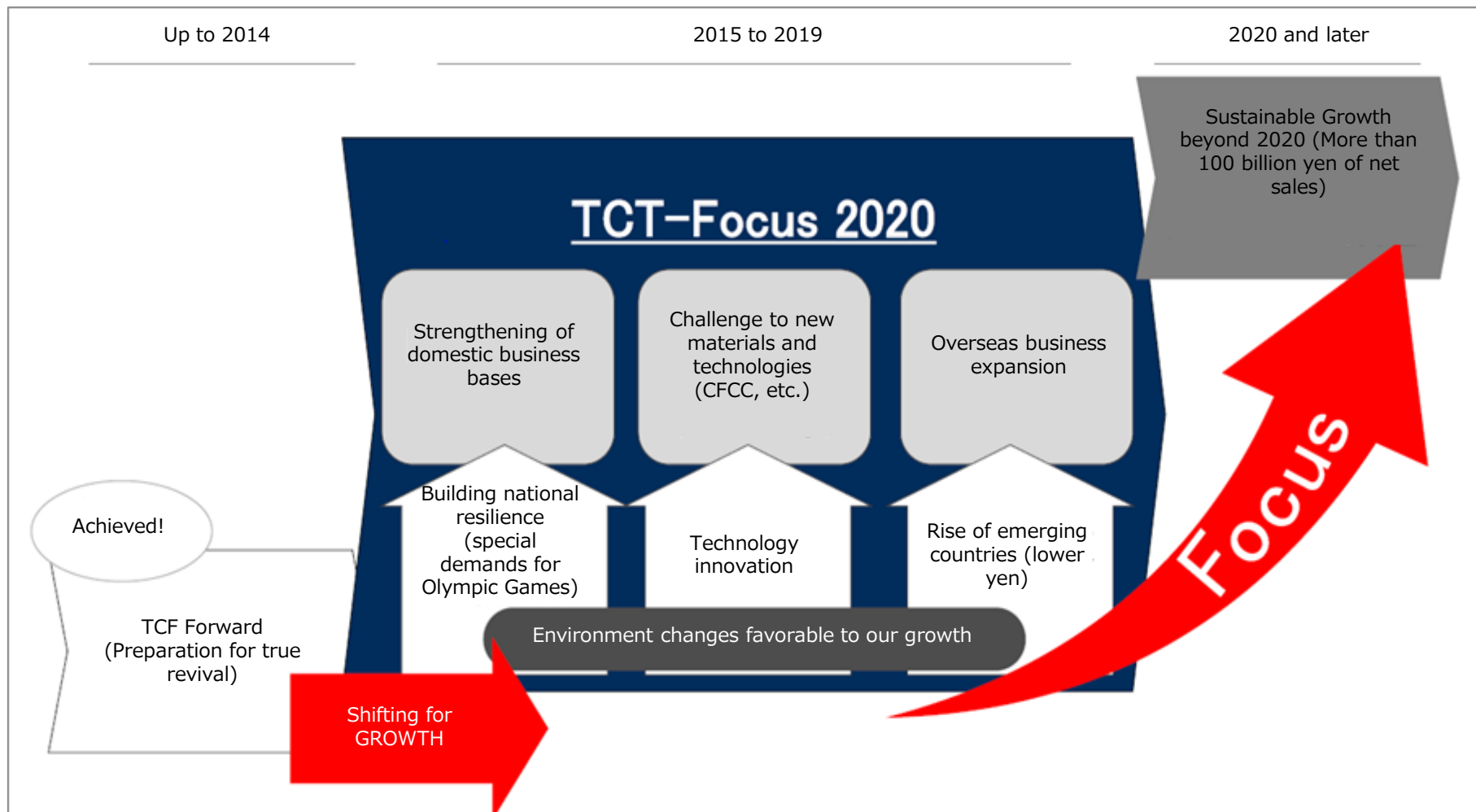
<Overview of possible measures NSC will be able to provide to support Tokyo Rope under a new management system>

- ① Provision of knowhow for optimization of inventory management, reduction in production cost, and improvement of production efficiency through shared use of a supply chain management system
- ② Cost reduction, quality improvement, and stable productivity through operational tie-ups
- ③ Promotion of development of high-value added products and highly functional products through joint product development among NSC, Tokyo Rope, and customers, and strengthening of the competitiveness of Tokyo Rope through such measures
- ④ Reinforcement of domestic and overseas sales by utilizing NSC group's information gathering capabilities and network (reinforcing the expansion of the rope and wire market with potential growth in bridges and elevators, and high-quality steel cord market with potential for long-distance trucking)
- ⑤ Careful examination of the profitability of the CFCC business and strengthening of overseas business risk management, by utilizing NSC's management knowhow

**Present Status of Tokyo Rope:
Poor Business Performance and
Worsened Financial Soundness**

Tokyo Rope's Mid-Term Management Plan ~ Overview

In its new mid-term management plan "TCT-Focus 2020," published in June 2015, Tokyo Rope announced its goal of growth and improvement of financial standing in five years by proactive overseas business development as leverage.



(Source) Mid-term management plan "TCT-Focus 2020" of TOKYO ROPE

Tokyo Rope's Mid-Term Management Plan ~ Gross Failure to Achieve Financial Numerical Targets

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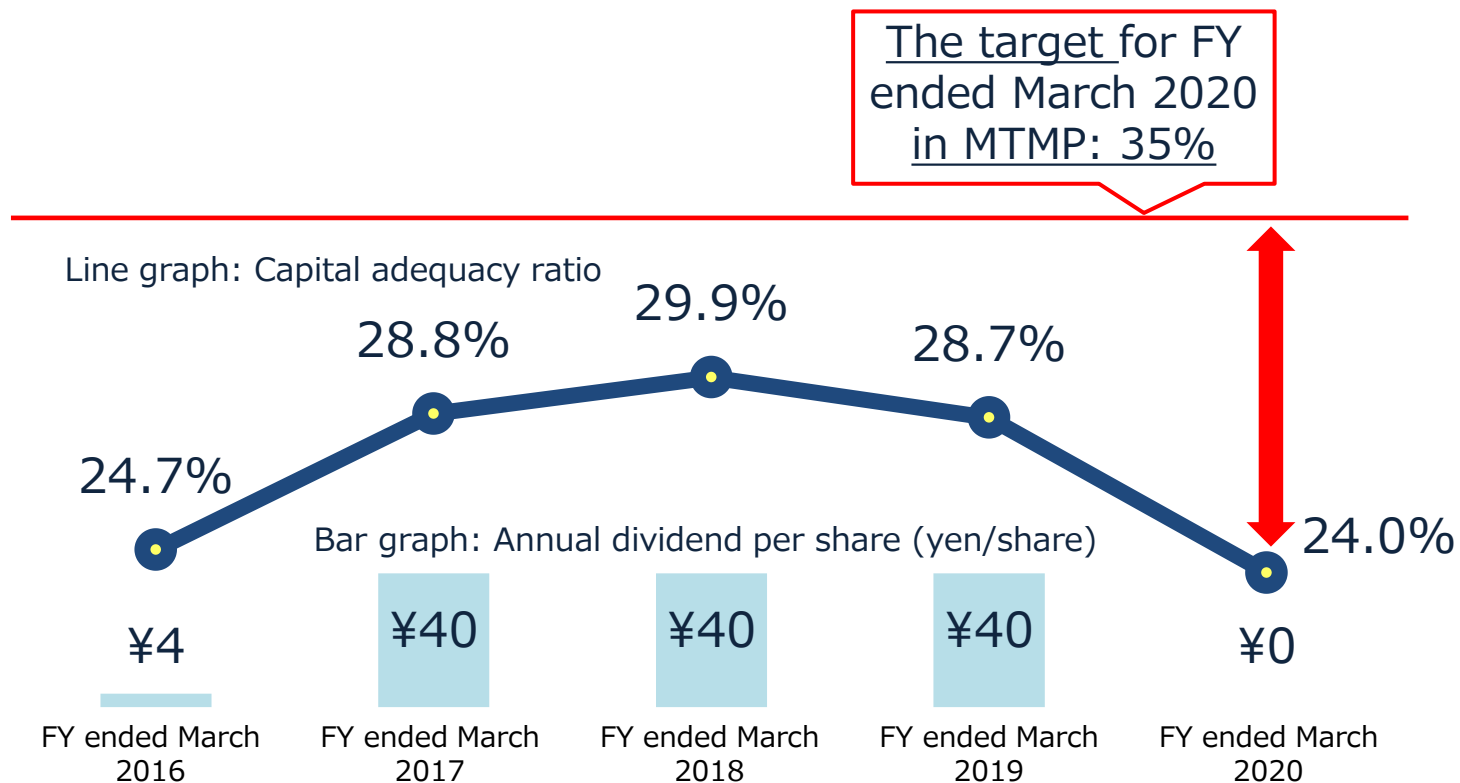
The former Mid-Term Management Plan published in 2015 was revised in 2017; however, actual results were significantly below the plan and Tokyo Rope significantly underperformed the financial numerical targets in all items.

	Results for FY ended March 2015	Targets in the Initial MTMP for FY ended March 2020 Published on 5/22/2015	Targets in the Revised MTMP for FY ended March 2020 Published on 5/12/2017		Results for FY ended March 2020
Net Sales	73.3 billion yen/year	90.0 billion yen/year	80.0 billion yen/year	↘	63.0 billion yen/year
Operating Income	3.9 billion yen/year	7.8 billion yen/year	8.0 billion yen/year	↘	0.3 billion yen/year
Ordinary Income	4.4 billion yen/year	7.5 billion yen/year	8.0 billion yen/year	↘	0.4 billion yen/year
Percentage of Overseas Net Sales	20%	25%	26%	↘	12%
Capital Investment	2.8 billion yen/year	17.8 billion yen/5 years	17.1 billion yen/5 years		15.6 billion yen/5 years
R&D cost	0.9 billion yen/year	5.2 billion yen/5 years	5.8 billion yen/5 years		6.1 billion yen/5 years
EBITDA	5.9 billion yen/year	10.7 billion yen/year	10.8 billion yen/year	↘	2.9 billion yen/year
Capital Adequacy Ratio	23%	35%	35%	↘	24%
D/E Ratio	1.5	0.6	0.7	↘	1.5
ROE	24.2%	14.0%	15.9%	↘	△10.9%

(Source) Tokyo Rope's mid-term management plan "New Mid-Term Management Plan 'TCT-Focus 2020'" and "the Notice regarding Revision of Medium-Term Management Plan 'TCT-Focus2020'" published on May 12, 2017.

(Note) Actual results for FY ended March 2015 and for FY ended March 2020 were prepared based on SPEEDA.

- Tokyo Rope's capital adequacy ratio moved at a level substantially below the target of 35% for FY ended March 2020 in the Mid-Term Management Plan.
- As a result of poor business, Tokyo Rope failed to pay dividends for FY ended March 2020.
- Tokyo Rope is facing a situation where it requires the creation of a mortgage on its plants and other assets to obtain funds from financial institutions.



(Note) Prepared based on Securities Reports for each fiscal year

Changes in Operating Income by Business Segment of Tokyo Rope ~ The Product Development Business Remains in the Red

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- The Wire Rod and Wire Business has generally declined in revenue, but remains profitable to a certain degree.
- The Steel Cord Business has remained in the red since FY ended March 2019.
- The Product Development Business has constantly recorded a loss since FY ended March 2017.
- The Product Development Business including the CFCC Business, which is promoted as the key for the growth strategy in the plan, showed a major gap from its target in the MTMP.

Changes in Operating Income by Business Segment

	FY ended March 2016 (1 st year in MTMP)	FY ended March 2017 (2 nd year in MTMP)	FY ended March 2018 (3 rd year in MTMP)	FY ended March 2019 (4 th year in MTMP)	FY ended March 2020 (Last year in MTMP)	Differences from Targets in MTMP	Target for FY ended March 2020 in MTMP
Wire Rod and Wire Business	2,284	2,182	1,912	1,523	1,411	-889	2,300
Steel Cord Business	777	1,159	534	△939	△1,660	-2,460	800
Product Development Business	658	△622	△401	△737	△255	-4,355	4,100
Real Estate Business	125	323	329	329	318	+18	300
Others	458	450	719	678	505	+5	500
Total	4,303	3,492	3,094	854	319	-7,681	8,000

(Note) The target in the Mid-Term Management Plan was based on the briefing material dated May 30 2019.

(Unit: million yen)

(Source) Tokyo Rope's summary of financial results and briefing material for each fiscal year.

Tokyo Rope's CFCC Business ~ Failure to Obtain a Return

Although Tokyo Rope has proactively made capital investment and research and development investment for a long time in the CFCC Business as an area for growth, it has failed to obtain a return commensurate with the investment; Tokyo Rope is considered to lack a system to appropriately manage overseas business risks.

Regarded as the core business supporting the growth strategy

May 2015: Released the Mid-Term Management Plan, **which regarded the CFCC Business as a business that would support the growth strategy.**

Proactively made capital investment and research and development investment

FY ended Mar. 2017/FY ended Mar. 2018: Invested in production facilities at CFCC North America Plant, preparing for full-scale operations of the business. **(Investment: 1,300 million yen)**
 FY ended Mar. 2019: Established Kitakami Plant, intending to strengthen the productivity of the CFCC Business. **(Investment: 1,500 million yen)**

Recorded an impairment loss; product development businesses have continued posting a deficit

Mar. 2020: Recorded an impairment loss at Kitakami Plant which is engaged in the CFCC business. **(Impairment loss: Δ 1,775 million yen)**
 Product development businesses, including the CFCC business, **have continued posting a deficit since the fiscal year ended March 2017.**

Cannot be evaluated as achieving a return

Nov. 2020: Published "Our CFCC (Carbon Fiber Composite Cable) Was Adopted in the Hampton Roads Bridge-Tunnel Expansion Project"
 Tokyo Rope's net sales (estimated sales) expected from such adoption would be approximately 4 billion yen throughout the scheduled delivery period from January 2021 to December 2023, which cannot be viewed as achieving a return on investments so far.

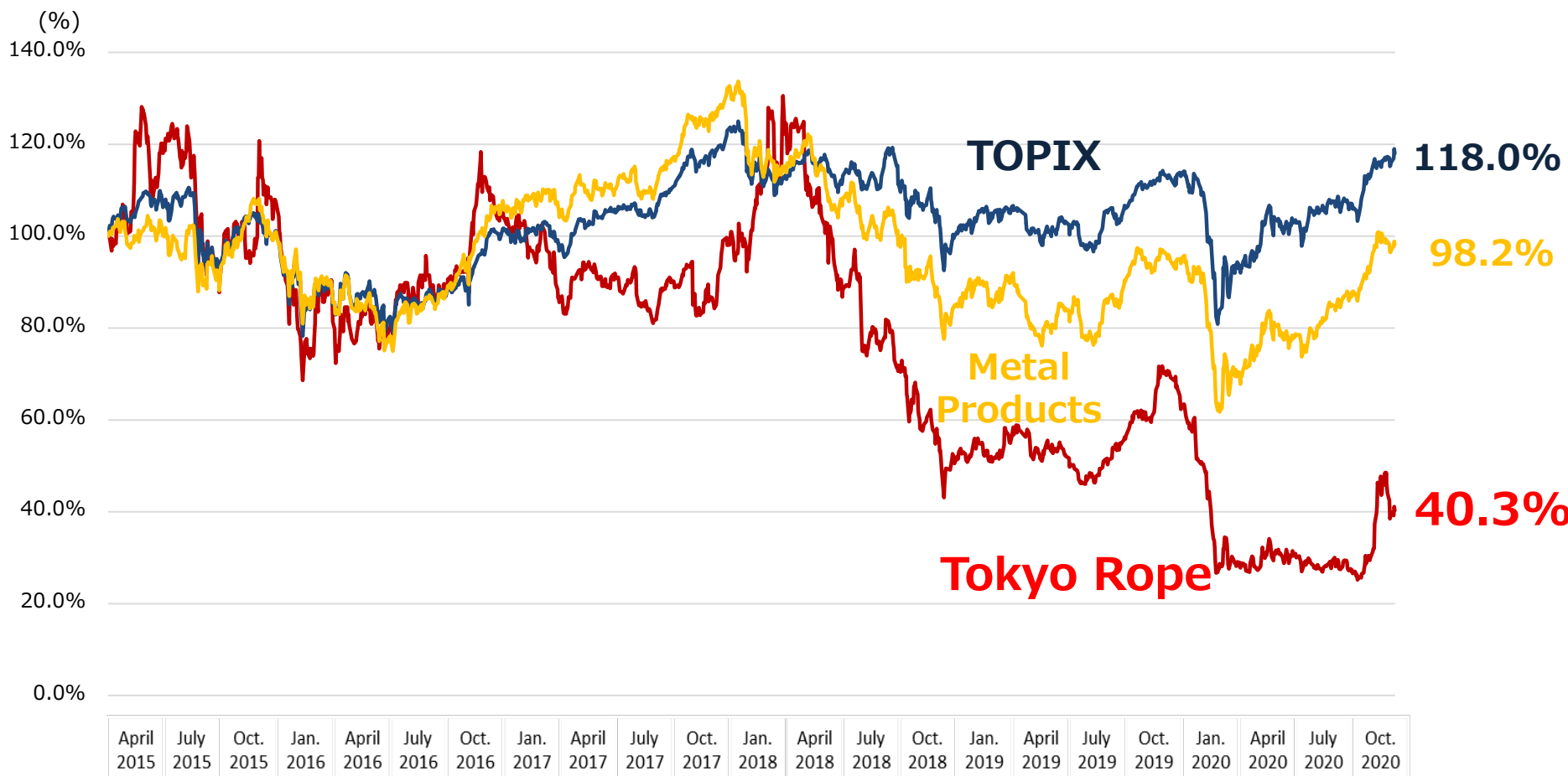
Fails to comply with applicable laws and regulations

Tokyo Rope International, a subsidiary that is engaged in manufacturing and sales of CFCC, has failed to give public notice of its balance sheet and profit and loss statement since 2017, in which it was established.

(Note) Based on publicly available information.

Relative Comparison of Tokyo Rope's Stock Price ~ Severe Evaluation from the Stock Market

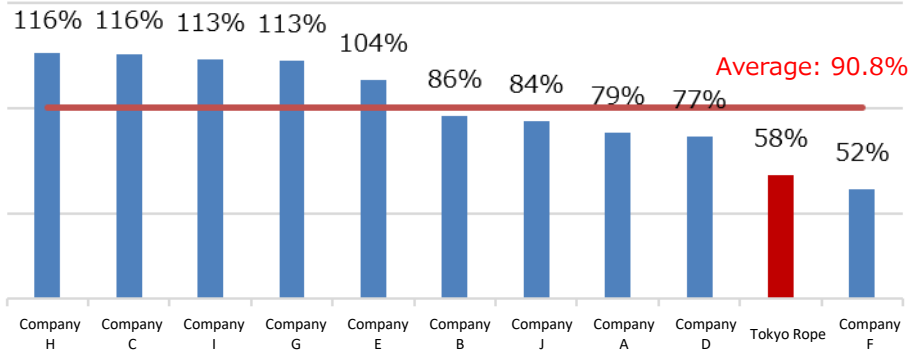
Tokyo Rope's stock price for the period from April 1, 2015 through December 30, 2020 was 77.7 points below TOPIX and 57.9 points below Metal Products and has been receiving a severe evaluation from the market.



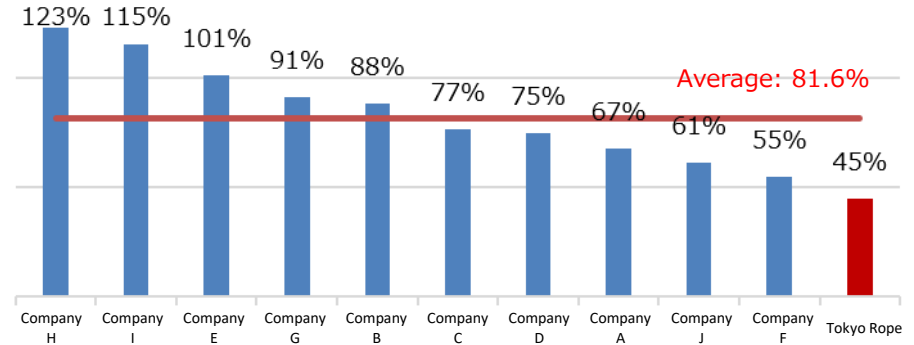
(Note) The stock prices of the Tokyo Rope, the TOPIX, and the TOPIX Sector Indices (Metal Products) through December 30, 2020 were compared by setting the stock price as of April 1, 2015 as 100.

Comparison of TSR (Total Shareholder Return) for Tokyo Rope to Its Competitors

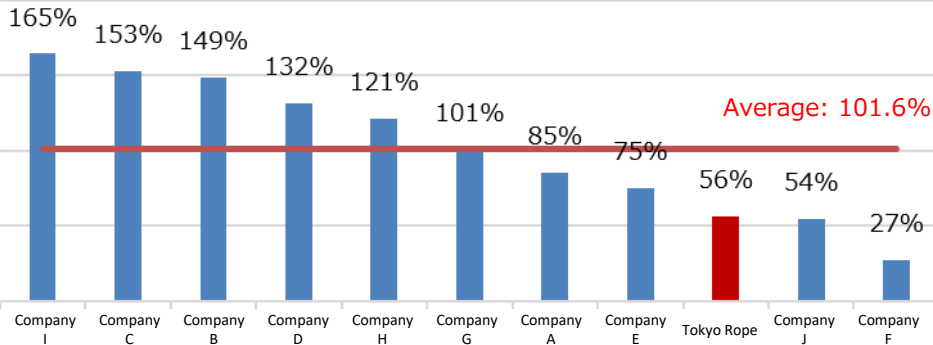
TSR 1 year



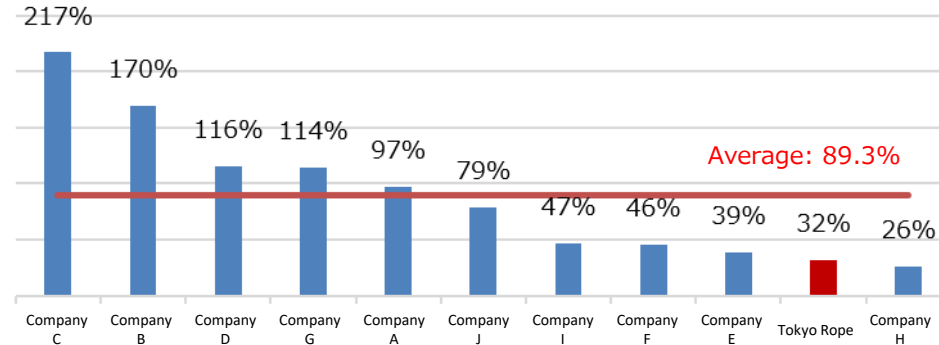
TSR 3 years



TSR 5 years



TSR 10 years



(Note) Prepared using *Capital IQ*. The following 10 companies were selected as competitors. The average value is that for all 11 companies, including Tokyo Rope and the competitors. Adopted the actual values for the previous FY of each company.

Company A	Shinko Wire
Company B	Nichia Steel Works
Company C	Nippon Seisen

Company D	Sanyu
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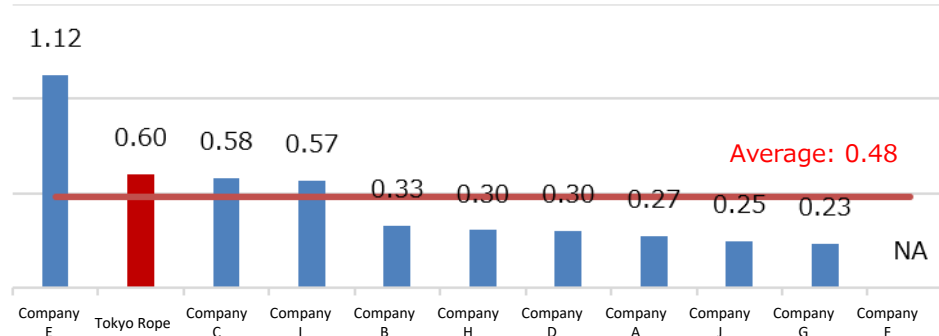
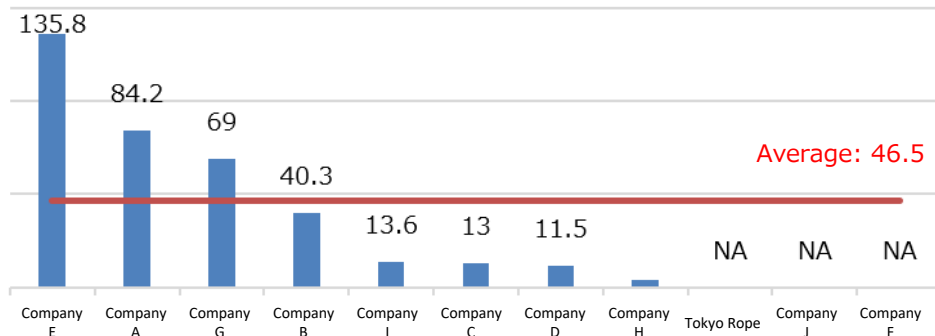
Company E	N.V.Bekaert
Company F	Jiangsu Fasten
Company G	Manho Rope & Wire

Company H	Shougang Concord Century
Company I	Xingda International
Company J	KisWire

Comparison of Valuation Index/Operating Profit Margin for Tokyo Rope to Its Competitors

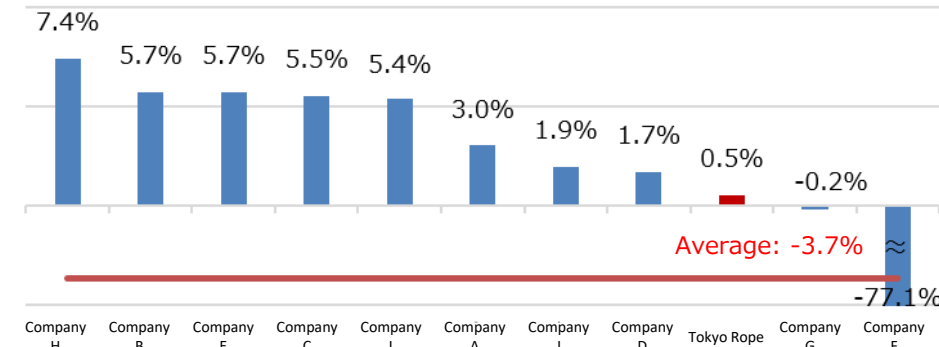
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Operating Profit Margin



(Note) Prepared using *Capital IQ*. The following 10 companies were selected as competitors. The average value is that for all 11 companies, including Tokyo Rope and the competitors. Adopted the actual values for the previous FY of each company.

Company A	Shinko Wire
Company B	Nichia Steel Works
Company C	Nippon Seisen

Company D	Sanyu
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Company E	N.V.Bekaert
Company F	Jiangsu Fasten
Company G	Manho Rope & Wire

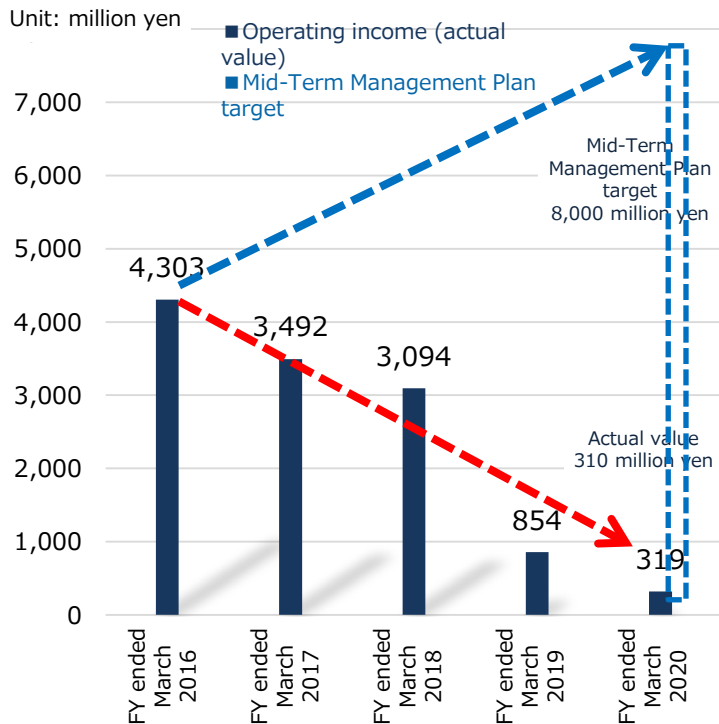
Company H	Shougang Concord Century
Company I	Xingda International
Company J	KisWire

Issues at Tokyo Rope: Dysfunction of Governance System

Tokyo Rope's Governance System ~ Top Nomination Process Lacks Substance ¹⁷

Although Tokyo Rope's business downturn is worsening year by year, and the briefing material for the Financial Results of Fiscal Year Ended March 2019 announced in May 2019 stated that "it turned out that (the Mid-Term Management Plan) goals cannot be achieved due to environmental changes, delay in launch, and lack of progress," the Chairman and the President have been appointed on the ground that they "have contributed to the improvement of the corporate value" consistently since 2017.

Changes in Tokyo Rope's Operating Income



Reasons for Appointing the Representative Director

Annual Shareholders Meeting in June 2017	<p>He served as the Company's Vice President, President, and Chairman; in doing so, he executed a drastic structural reform of the Company; as such, he has contributed to the improvement of the Company group's corporate value.</p> <p>He has the qualifications and knowledge to fairly and properly execute the Company's management and business operations based on his abundant experiences and achievement. Therefore, the Company appointed him, anticipating that he will lead the Company group's future growth strategies.</p>
Annual Shareholders Meeting in June 2018	Same as the previous year.
Annual Shareholders Meeting in June 2019	<p>May 30, 2019: From the briefing material for Financial Results "It turned out that (the Mid-Term Management Plan) goals cannot be achieved due to environmental changes, delay in launch, and lack of progress."</p>
Annual Shareholders Meeting in June 2020	Same as the previous year.

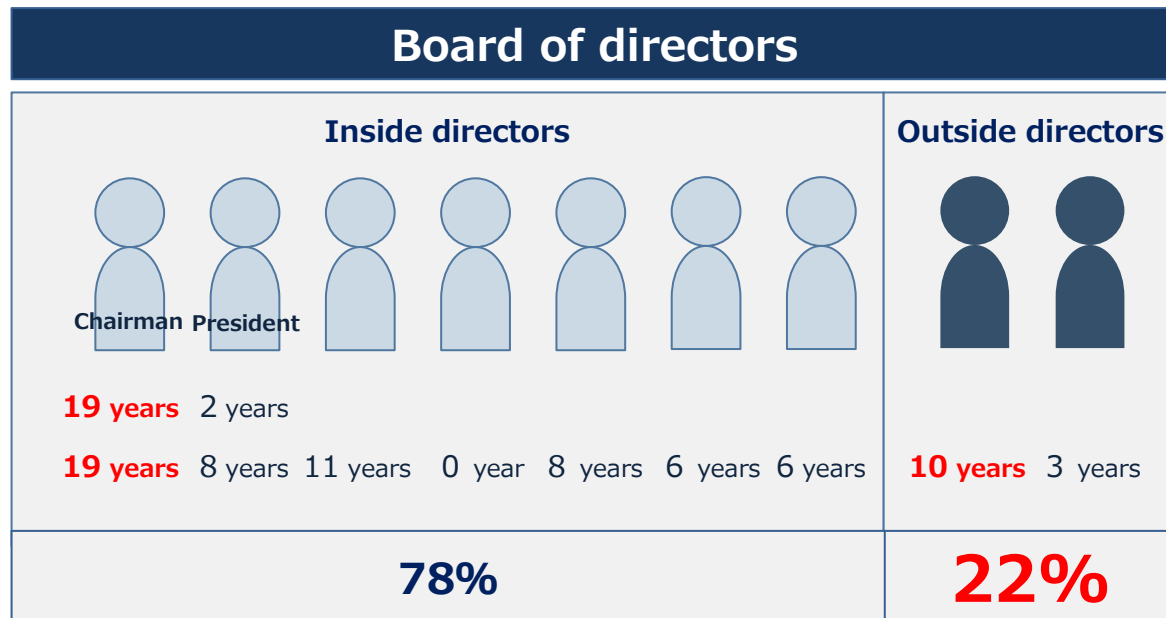
(Source) Tokyo Rope's Summary of Financial Report and Corporate Governance Report

Tokyo Rope's board of directors is considered to lack independence/diversity, failing to perform its functions to supervise the management team.

Prolonged tenure: Top's term of office has been 19 years, which is long.

Independence: Ratio of outside directors in the board of directors is only 22%.
One of the outside directors has a tenure of about 10 years.

Diversity: Corporate Governance Report explains Principle 4-11 and states that "it is a future issue to be addressed whether the composition of the board of directors should be changed from the viewpoint of gender and diversity"; Tokyo Rope admits the lack of diversity.



(Note) Securities Report
* Term of office is as of January 2021.

Overview of / Purchase Conditions for the Tender Offer

Major Purchase Conditions for the Tender Offer

Tender Offeror	Nippon Steel Corporation (Securities Code: 5401, TSE, First Section)
Target Company	Tokyo Rope Mfg. Co., Ltd. (Securities Code: 5981, TSE, First Section)
Tender Offer Period	Friday, January 22, 2021 to Monday, March 8, 2021 (30 business days)
Settlement Commencement Date	Monday, March 15, 2021
Purchase Price	1,500 yen per share
Premium	Closing price on January 20, 2021 : 36.49%
	Average of the one-month period : 76.68%
	Average of the three-month period : 109.50%
	Average of the six-month period : 139.62%
Minimum Number of Shares to Be Purchased	Not applicable.
Maximum Number of Shares to Be Purchased	1,625,500 shares (ownership ratio after the tender offer: 19.9%)
Total Amount of Purchase	2,438,250,000 yen
Tender Offer Agent	Daiwa Securities Co., Ltd.

[Restriction on Solicitation]

This material is a briefing material regarding the Tender Offer, and was not prepared for the purpose of soliciting a tender for a sale. If you intend to tender an offer to sell the shares in the Tender Offer, please make sure that you refer to the Tender Offer Explanatory Document regarding the Tender Offer in advance, and tender for it at your own discretion. This material is not a tender for, or a solicitation for a tender for, a sale or purchase of securities, and does not constitute a part of the foregoing. In addition, this material (or any part of it) and any distribution hereof will not be the basis for any agreement concerning the Tender Offer, nor will it be relied upon when executing any such agreement.

[Prediction of the Future]

NSC does not promise that the projections expressed or implied as “forward-looking statements” will ultimately be accurate. The “forward-looking statements” in this material have been prepared based on information available to NSC as of the date hereof, and unless otherwise required by law or regulation, NSC will not be responsible for updating or otherwise revising such forward-looking statements in order to reflect any future event or circumstances.

[Regulations of the United States]

Unless the Tender Offer can be implemented in compliance with applicable laws and various regulations in the United States, NSC will not conduct the Tender Offer for the United States or to a United States person (within the meaning of “United States person” provided in Regulation S of the Securities Act of 1933; hereinafter the same in this section). In this case, applications for shares of the Target Company related to the Tender Offer by any means, usage or method, or through any facility, cannot be conducted from the United States, within the United States, or by those existing or residing the United States, or by any person acting by calculation of a United States person or for the profit of a United States person.

[Other Countries]

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